

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN
HOUGHTON COUNTY**

**FINANCIAL REPORT
Year ended December 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Calumet	County Houghton
Fiscal Year End 12/31/06	Opinion Date 06/29/07	Date Audit Report Submitted to State 06/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

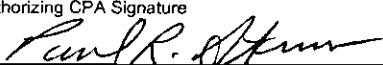
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Paul R. Sturos, CPA		Telephone Number (906) 337-4727	
Street Address 56901 S. Sixth St., Ste. 8		City Calumet	State MI
Zip 49913			
Authorizing CPA Signature 	Printed Name Paul R. Sturos	License Number 1101022268	

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PAUL R. STUROS

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board Members

Charter Township of Calumet, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2007 on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 32 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Calumet, Michigan's, basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Paul R. Sturos".

Paul R. Sturos, CPA
Calumet, Michigan
June 29, 2007

CHARTER TOWNSHIP OF CALUMET

25880 Red Jacket Road

Calumet, MI 49913

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Calumet's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements that follow.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

Report Components

This annual report consists of five parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the Township government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Township operates like businesses, such as the sewage service. For *fiduciary activities* these statements account for assets held by the Township as an agent or trustee for others and includes the Property Tax Collection Fund.

Notes to Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users with additional data that supplements the "basic financial statements" which include the government-wide statements, fund financial statements, and notes to the financial statements.

Other Supplementary Information: This part of the annual report includes optional financial information such as combining statements for non-major funds, which are added together and shown in the fund financial statements in a single column and a federal program section. This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

THE TOWNSHIP AS A WHOLE

The Township's Reporting Entity Presentation

This annual report includes all activities for which the Township is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

- The Charter Township of Calumet

The component unit presentation includes the following legal entity:

- The Charter Township of Calumet Downtown Development Authority

Government -Wide Financial Information

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities is divided into three kinds of activities:

Governmental activities – Most of the Township's basic services are reported here, including the police, fire, general administration, public works and recreation. Property taxes, state statutory aid and state and federal grants finance most of these activities.

Business-type activities – The Township charges a fee to customers in the Wolverine-Kearsarge area to help it cover all or most of the cost of sewage services it provides.

Component unit activities – Although the Downtown Development Authority is a separate legal entity, the Township includes its activities in its financial statements since the Township is financially accountable for the Authority.

In a condensed format, the table below provides a summary of the Township's *net assets* (in thousands of dollars) as of December 31, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 453.7	\$ 644.2	\$	\$ 13.9	\$ 453.7	\$ 658.1
Noncurrent assets	<u>4,422.0</u>	<u>4,278.4</u>		<u>2,099.4</u>	<u>4,422.0</u>	<u>6,377.8</u>
Total Assets	<u>4,875.7</u>	<u>4,922.6</u>	<u>None</u>	<u>2,113.3</u>	<u>4,875.7</u>	<u>7,035.9</u>
Current liabilities	143.9	322.7		4.2	143.9	326.9
Other liabilities	<u>494.8</u>	<u>531.4</u>		<u>120.0</u>	<u>494.8</u>	<u>651.4</u>
Total Liabilities	<u>638.7</u>	<u>854.1</u>	<u>None</u>	<u>124.2</u>	<u>638.7</u>	<u>978.3</u>
Net Assets						
Invested in capital assets-net of debt	4,144.3	3,981.8		1,980.9	4,144.3	5,962.7
Restricted	9.3	8.1		7.9	9.3	16.0
Unrestricted(Deficit)	<u>83.4</u>	<u>78.6</u>		<u>.3</u>	<u>83.4</u>	<u>78.9</u>
Total Net Assets	<u>\$ 4,237.0</u>	<u>\$ 4,068.5</u>	<u>\$ None</u>	<u>\$ 1,989.1</u>	<u>\$ 4,237.0</u>	<u>\$ 6,057.6</u>

The Township's net assets decreased by \$1,820,670 primarily do to a transfer of the Wolverine Kearsarge sewage system to the North Houghton County Water and Sewage Authority (NHCW&SA) for \$1,957,527 (net).

The current level of unrestricted net assets (the part of net assets that can be used to finance day to day operations) for the governmental activities stands at \$83,408, which is within the targeted range for unrestricted net assets of approximately 10% of applicable annual expenses.

The results of operations for the Township as a whole are reported in the *statement of activities*. Comparative data is accumulated and presented to assist analysis. The following shows the change in the net assets (in thousands of dollars) for 2006 and 2005:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for services	\$ 165.1	\$ 157.5	\$ 10.6	\$ 29.4	\$ 175.7	\$ 186.9
Operating grants and contributions	55.9	37.2			55.9	37.2
Capital grants and contributions	279.4	404.4			279.4	404.4
General Revenues						
Property taxes	222.0	212.6			222.0	212.6
State-shared revenues	268.6	273.9			268.6	273.9
Unrestricted investment earnings	5.9	2.5		.1	5.9	2.6

Miscellaneous	5.4	12.3			5.4	12.3
Loss on sale of assets	(29.7)	(28.5)			(29.7)	(28.5)
Transfers	(3.1)	9.2	10.7		7.6	9.2
Extraordinary item		<u>450.0</u>				<u>450.0</u>
Total Revenues	<u>969.5</u>	<u>1,531.1</u>	<u>21.3</u>	<u>29.5</u>	<u>990.8</u>	<u>1,560.6</u>
Program Expenses						
Legislative	22.9	21.1			22.9	21.1
General Government	179.1	164.3			179.1	164.3
Public Safety	119.7	128.4			119.7	128.4
Public Works	129.8	104.1			129.8	104.1
Recreation	63.4	50.1			63.4	50.1
Community/Historical	154.1	227.6			154.1	227.6
Other	100.2	95.6			100.2	95.6
Interest on long-term debt	31.8	31.0			31.8	31.0
Sewage			52.9	86.8	52.9	86.8
Special item			<u>1,957.5</u>		<u>1,957.5</u>	
Total Expenses	<u>801.0</u>	<u>822.2</u>	<u>2,010.4</u>	<u>86.8</u>	<u>2,811.4</u>	<u>909.0</u>
Changes in Net Assets	\$ <u>168.5</u>	\$ <u>708.9</u>	\$ <u>(1,989.1)</u>	\$ <u>(57.3)</u>	\$ <u>(1,820.6)</u>	\$ <u>651.6</u>

During the current year the Township's governmental activities realized additional revenues in the area of property taxes of \$9,381 while also realizing a net capital grant reduction of approximately \$50,000.

The Township transferred the net assets of its business-type activity, the Wolverine/Kearsarge Sewage Fund to the NHCW&SA during 2006.

The discretely presented component unit consists of the Downtown Development Authority (DDA) Fund which recaptures property taxes within the Authority's District. Most of the recaptured taxes collected go towards paying the debt service costs related to previous DDA projects.

THE TOWNSHIP'S FUNDS

The Township's major funds follow the entity-wide financial statements as presented. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The General Fund along with the Fire Fund, Water Fund, Community Center Fund, Community Center Capital Project Fund and DDA Fund (discretely presented component unit) are the Township's major funds for 2006.

The General Fund pays for most of the Township's governmental services. The most significant services are for general government activities which incurred expenditures of \$136,806 during 2006. The Fire and Water Funds collect property taxes and fees respectively, for the purpose of paying the debt related to prior capital purchases and improvement projects. The "Calumet Armory" Community Center Fund collects property taxes to operate, maintain and repair the Community

Center. During 2006 the Community Center Capital Projects Fund incurred capital outlay improvements of \$234,019 with funding received from grants and loans.

Budgetary Highlights

Over the course of the year, the Township Board amended each of its major fund budgets to take into account events during the year. The most significant changes in the General Fund were to increase other revenue by \$60,000 for reimbursements received and the sale of property and to increase transfers from other funds by approximately \$20,000 for capital outlay expenditures. With the exception of an increase in capital outlay expenditures noted above, the Township did not significantly change originally budgeted General Fund expenditure amounts. For the most part, the actual General Fund expenditures stayed within budgeted amounts. Revenues and expenditures also stayed mostly within budgeted amounts in the Fire, Water and Community Center Funds except that transfers from and to other funds were adjusted to reflect actual amounts in the Water and Community Center Funds and revenue reimbursements was adjusted in the Community Center Fund for increased amounts received from users of the facility.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the Township had \$5.5 million invested in a broad range of capital assets, including land, buildings, mining and other equipment and vehicles. Besides the transfer of the sewage system to NHCW&SA as noted earlier, the Township's more significant additions included \$234,019 for building, driveway and parking lot improvements for the Calumet Armory Community Center. The table below provides a summary of the Township's capital assets net of accumulated depreciation (in thousands of dollars) as of December 31, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Non-Depreciable Assets:						
Land	\$ 1,254.1	\$ 1,244.3	\$	\$ 19.9	\$ 1,254.1	\$ 1,264.2
Depreciable Assets:						
Land improvements	197.9	71.0			197.9	71.0
Buildings	1,875.4	1,805.4			1,875.4	1,805.4
Furniture, equipment, and vehicles	1,083.4	1,131.8			1,083.4	1,131.8
Sewage system				2,083.0		2,083.0
Total	<u>\$ 4,410.8</u>	<u>\$ 4,252.5</u>	<u>\$ None</u>	<u>\$ 2,102.9</u>	<u>\$ 4,410.8</u>	<u>\$ 6,355.4</u>

Long-term Debt

At year end, the Township had \$712,376 in long-term debt outstanding, including component unit debt of \$146,000. As part of the transfer of the sewage system to NHCW&SA as noted above, the

Township also transferred the related debt of \$122,000. Primary government balances as of December 31, 2006 and 2005 are as follows:

	Primary Government					
	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Notes/loans payable	\$ 72,049	\$ 114,987	\$	\$	\$ 72,049	\$ 114,987
Bonds payable	<u>494,327</u>	<u>485,700</u>		<u>122,000</u>	<u>494,327</u>	<u>607,700</u>
	<u>\$ 566,376</u>	<u>\$ 600,687</u>	<u>\$ None</u>	<u>\$ 122,000</u>	<u>\$ 566,376</u>	<u>\$ 722,687</u>

FACTORS AFFECTING FUTURE OPERATIONS

For the year 2007, the various governmental and component unit funds have been budgeted fairly consistent with this year.

A storm sewer rehabilitation project is scheduled to begin during 2007 with work to be completed by December 31, 2008. Funding for the project totaling \$776,000 is expected to come from a \$336,000 community development block grant and the issuance of general obligation limited tax bonds for the balance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the clerk's office.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Statement of Net Assets December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 185,610	\$	\$ 185,610	\$ 26,375
Receivables, net	207,827		207,827	28,327
Receivables from other governments	60,267		60,267	
Internal balances	(100)		(100)	100
Bond issue related costs, net	11,294		11,294	
Capital assets, net	<u>4,410,787</u>		<u>4,410,787</u>	
Total Assets	<u>4,875,685</u>	<u>None</u>	<u>4,875,685</u>	<u>54,802</u>
LIABILITIES				
Accounts payable	34,516		34,516	190
Accrued liabilities	4,534		4,534	2,127
Due to other governments	32,465		32,465	570
Deferred revenues	834		834	
Noncurrent liabilities				
Due within one year	71,578		71,578	26,000
Due in more than one year	<u>494,798</u>		<u>494,798</u>	<u>120,000</u>
Total Liabilities	<u>638,725</u>	<u>None</u>	<u>638,725</u>	<u>148,887</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,144,296		4,144,296	
Restricted for debt service	6,406		6,406	3,597
Restricted for comm./hist. projects	2,850		2,850	
Unrestricted	<u>83,408</u>		<u>83,408</u>	<u>(97,682)</u>
Total Net Assets	<u>\$ 4,236,960</u>	<u>\$ None</u>	<u>\$ 4,236,960</u>	<u>\$ (94,085)</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Statement of Activities Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue & Changes in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-Type Activities		
Primary Government								
Legislative	\$ 22,910	\$	\$	\$	\$ (22,910)	\$	\$ (22,910)	\$
General Government	179,136	17,275	6,505	25,868	(129,488)		(129,488)	
Public Safety	119,741	18,520		250	(100,971)		(100,971)	
Public Works	129,743	69,021	14,219		(46,503)		(46,503)	
Recreation	63,358	19,428	16,888		(27,042)		(27,042)	
Community/Historical	154,140	40,817	18,281	253,297	158,255		158,255	
Other	100,223				(100,223)		(100,223)	
Interest on Long-term Debt	31,778				(31,778)		(31,778)	
Total Governmental Activities	801,029	165,061	55,893	279,415	(300,660)		(300,660)	
Business-Type Activities								
Sewage	52,952	10,560				(42,392)	(42,392)	
Total Primary Government	\$ 853,981	\$ 175,621	\$ 55,893	\$ 279,415	(300,660)	(42,392)	(343,052)	
Component Unit								
Downtown Dev. Authority	\$ 13,865	\$	\$	\$				(13,865)
General Revenue								
Property taxes					221,987		221,987	47,129
State-shared revenue					268,637		268,637	
Unrestricted investment earnings					5,903	66	5,969	594
Miscellaneous					5,435		5,435	
Transfers between primary gov't activities					(10,714)	10,714		
Transfers with component unit					7,600		7,600	(7,600)
Loss on sale of assets					(29,719)		(29,719)	
Total General Revenue and loss on sale of assets					469,129	10,780	479,909	40,123
Special item						(1,957,527)	(1,957,527)	
Changes in Net Assets					168,469	(1,989,139)	(1,820,670)	26,258
Net Assets - Beginning					4,068,491	1,989,139	6,057,630	(120,343)
Net Assets - Ending					\$ 4,236,960	\$	\$ 4,236,960	\$ (94,085)

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Governmental Funds Balance Sheet December 31, 2006

	General Fund	Fire Fund	Water Fund	Community Center Fund	Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 62,546	\$ 17,371	\$ 40,229	\$ 47,140	\$ 99	\$ 18,225	\$ 185,610
Receivables (net):							
Taxes	77,008	41,639		59,239			177,886
Accounts/Interest	8,475		18,254	2,712		500	29,941
Due from state gov't	44,893						44,893
Due from federal gov't						15,374	15,374
Due from other funds	<u>2,694</u>			<u>99</u>			<u>2,793</u>
Total Assets	<u>\$ 195,616</u>	<u>\$ 59,010</u>	<u>\$ 58,483</u>	<u>\$ 109,190</u>	<u>\$ 99</u>	<u>\$ 34,099</u>	<u>\$ 456,497</u>
LIABILITIES							
Accounts payable	\$ 14,102	\$	\$ 1,909	\$ 3,609	\$	\$ 14,896	\$ 34,516
Accrued expenses				31			31
Due to other funds	100				99	2,694	2,893
Due to other gov'ts	32,465						32,465
Deferred revenues	<u>90,350</u>	<u>48,078</u>		<u>68,232</u>			<u>206,660</u>
Total Liabilities	<u>137,017</u>	<u>48,078</u>	<u>1,909</u>	<u>71,872</u>	<u>99</u>	<u>17,590</u>	<u>276,565</u>
FUND BALANCES							
Res. for hist./comm. proj.	2,850						2,850
Reserve for debt service			6,406				6,406
Unreserved	50,749	10,932	50,168	37,318			149,167
Unres.-nonmajor funds							
Special revenue funds						16,484	16,484
Debt service fund						25	25
Designated for CFR fees	<u>5,000</u>						<u>5,000</u>
Total Fund Balance	<u>58,599</u>	<u>10,932</u>	<u>56,574</u>	<u>37,318</u>		<u>16,509</u>	<u>179,932</u>
Total Liabilities & Fund Balances	<u>\$ 195,616</u>	<u>\$ 59,010</u>	<u>\$ 58,483</u>	<u>\$ 109,190</u>	<u>\$ 99</u>	<u>\$ 34,099</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets
are different because:

(Continued)

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Governmental Funds Balance Sheet December 31, 2006

<u>General Fund</u>	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Community Center Fund</u>	<u>Community Center Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
Cost of capital assets						5,498,627
Accumulated depreciation						(1,087,840)
Taxes receivable not available to pay for current expenditures						205,826
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(600,549)
Accrued interest payable is not included as a liability in governmental activities						(4,503)
Bond related costs, net of amortization are capitalized in the government-wide financial statements						11,294
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements						34,173
Net Assets of Governmental Activities						<u><u>\$ 4,236,960</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN
Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2006

	General Fund	Fire Fund	Water Fund	Community Center Fund	Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 105,564	\$ 44,943	\$	\$ 65,168	\$	\$	\$ 215,675
Licenses and permits	1,075						1,075
Federal aid	25,868				128,258	90,692	244,818
State aid	273,004						273,004
Charges for services	42,598		68,256				110,854
Interest and rents	25,357	218	1,069	24,929	384	3,292	55,249
Other	53,810			15,675	24,548	21,311	115,344
Total Revenues	<u>527,276</u>	<u>45,161</u>	<u>69,325</u>	<u>105,772</u>	<u>153,190</u>	<u>115,295</u>	<u>1,016,019</u>
Expenditures							
Legislative	22,910						22,910
General government	136,806		8,015	3,968		11,323	160,112
Public safety	67,313						67,313
Public works	97,704		6,734				104,438
Recreation	37,736						37,736
Community/Historical	7,695			47,676		67,950	123,321
Other	100,223						100,223
Capital outlay	62,740			8,741	234,019	55,742	361,242
Debt service	16,204	36,542	65,117			1,988	119,851
Total Expenditures	<u>549,331</u>	<u>36,542</u>	<u>79,866</u>	<u>60,385</u>	<u>234,019</u>	<u>137,003</u>	<u>1,097,146</u>
Excess of Rev. over (under) Expenditures	<u>(22,055)</u>	<u>8,619</u>	<u>(10,541)</u>	<u>45,387</u>	<u>(80,829)</u>	<u>(21,708)</u>	<u>(81,127)</u>
Other Fin. Sources (Uses):							
Operating transfers in	20,851			99	28,892	3,664	53,506
Operating transfers out	(14,376)	(1,682)	(9,583)	(30,880)	(99)		(56,620)
Loan proceeds	3,890				52,036		55,926
Total	<u>10,365</u>	<u>(1,682)</u>	<u>(9,583)</u>	<u>(30,781)</u>	<u>80,829</u>	<u>3,664</u>	<u>52,812</u>
Net Change in Fund Bal.	<u>(11,690)</u>	<u>6,937</u>	<u>(20,124)</u>	<u>14,606</u>		<u>(18,044)</u>	<u>(28,315)</u>
Fund Balance – Beg.	<u>70,289</u>	<u>3,995</u>	<u>76,698</u>	<u>22,712</u>		<u>34,553</u>	
Fund Balance – End.	<u>\$ 58,599</u>	<u>\$ 10,932</u>	<u>\$ 56,574</u>	<u>\$ 37,318</u>	<u>\$</u>	<u>\$ 16,509</u>	

(Continued)

Reconciliation to the Statement of Activities:

CHARTER TOWNSHIP OF CALUMET, MICHIGAN
Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2006

<u>General Fund</u>	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Community Center Fund</u>	<u>Community Center Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	361,242
Depreciation expense	(153,198)

Property tax revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	6,312
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Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid	(811)
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Repayment of principal debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt liabilities)	94,328
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The government-wide financial statements present the unamortized amount of bond issuance cost as an asset net of amortization. The government-wide financial statement presents the unamortized deferred refunding amount net of long-term debt. This amount represents the current year amortization of these long-term debt related costs.	(5,444)
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Current year loan proceeds are other financing sources in the fund financial statements, but are shown as an increase in liabilities of the government-wide financial statements	(55,926)
--	----------

In the statement of activities, the loss on the sale of capital assets is recognized. The fund financial statements recognize only the proceeds from these assets:

Loss on sale of assets	(29,719)
Proceeds from sale of assets	(20,000)

Changes in Net Assets of Governmental Activities	\$ 168,469
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Proprietary Fund Statement of Net Assets
December 31, 2006**

	<u>Sewage Fund</u>
ASSETS	<u>\$ None</u>
LIABILITIES	<u> None</u>
NET ASSETS	<u>\$ None</u> <u>=====</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2006**

	<u>Sewage Fund</u>
Operating Revenues	
Sewage fees	\$ 10,560
Operating Expenses	
Administration	1,343
Personal services	3,590
Utilities	1,746
Repairs and maintenance	7,309
Depreciation	<u>34,467</u>
Total Operating Expenses	<u>48,455</u>
Operating Income (Loss)	<u>(37,895)</u>
Nonoperating Revenues (Expenses)	
Interest revenue	66
Interest expense	<u>(4,497)</u>
Total Nonoperating Revenue (Expense)	<u>(4,431)</u>
Income (Loss) Before Capital Contributions	
Capital contributions transferred to other governmental unit	<u>(1,957,527)</u>
Income (Loss) Before Interfund Transfers	
Transfer in	12,700
Transfer out	<u>(1,986)</u>
Total Interfund Transfers	<u>10,714</u>
Changes in Net Assets	(1,989,139)
Net Assets, Beginning	<u>1,989,139</u>
Net Assets, Ending	<u><u>\$ None</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Proprietary Fund Statement of Cash Flows
Year Ended December 31, 2006**

	<u>Sewage Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 20,073
Payments to suppliers/vendors	(11,336)
Payments to employees	<u>(3,590)</u>
Net Cash Provided by Operating Activities	<u>5,147</u>
Cash Flows from Capital and Related Financing Activities	
Interest paid on capital debt	(3,584)
Capital contributions transferred to other governmental unit	<u>(15,227)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,811)</u>
Cash Flows from Investing Activities	
Interest	<u>66</u>
Net Increase (Decrease) in Cash	(13,598)
Balance – Beginning of the Year	<u>13,598</u>
Balance – End of the Year	<u><u>\$ None</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (37,895)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	34,467
Change in Assets and Liabilities	
Receivables, net	9,513
Accounts payable	<u>(938)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,147</u></u>
Noncash Investing, Capital & Financing Activities:	
Capital contributions transferred to other governmental unit	\$1,957,527

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Fiduciary Fund Statement of Net Assets
December 31, 2006**

	Agency Fund Type (Property Tax Collection Fund)
ASSETS	
Cash	\$ 134,953
	<u> </u>
LIABILITIES	
Due to other governmental units & taxpayers	\$ 134,953
	<u> </u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Notes to Financial Statements

December 31, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For business-type activities and enterprise funds, the Township has elected to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Reporting Entity

The Township was organized as a General Law Township on the 27th day of November, 1866, and has since been incorporated into a Charter Township, effective July 15, 1985. The Township covers an area of approximately 31 square miles and operates under an elected Board of Trustees consisting of seven members, which are a supervisor, clerk, treasurer and four trustees. The Township provides various services to many of its residents including law enforcement, fire protection, recreation and community enrichment.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see the discussion below for a description).

Discretely Presented Component Unit

In accordance with provisions of GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established in 1995 by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine

member board appointed by the Township's governing board. In addition, the Authority's budget is subject to approval by the Township Board. The DDA adopted a development and tax increment financing plan in 1996 to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvements within the DDA District. Additional financial details of the component unit can be obtained from the Township office.

Jointly Governed Organization

The Township, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (NHCW&SA) to provide waste water collection, transmission and treatment. The NHCW&SA's board is comprised of seven members, three of which are from the Township. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority.

It is expected that the revenues generated from NHCW&SA system users will be adequate to operate the sewage system and pay back the related construction debt and interest of NHCW&SA. Separately issued financial statements are available from the Authority.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets certain criteria.

The following Major funds are reported by the Township:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally and administratively required to be accounted for in other funds.

Fire Fund – This fund is used to account for property tax collections used for fire protection support and maintenance of the Township’s fire department including the payback of debt related to prior year equipment purchases.

Water Fund – This fund accounts for fees collected to payback the debt related to a previous water project and also for the maintenance of the water system.

Community Center Fund – This fund accounts for the operations of the Calumet Armory Community Center and derives its revenue from a 1 mill property tax assessment.

Community Center Capital Project Fund – This fund was established to account for a grant and loan improvement project for the Calumet Armory Community Center, which was completed during 2006.

Proprietary Funds

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement, similar to the private sector. This fund type includes the Wolverine-Kearsarge Sewage Fund. During 2006, the Township transferred the sewage system of the Wolverine-Kearsarge Sewage Fund to the NHCW&SA resulting in a discontinuance of the Fund.

The Township also reports the following fund type:

Agency Funds – This fund type is used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund type includes the Property Tax Collection Fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In accordance with Charter Township statutes, the Township’s 2006 ad valorem tax is levied and collectible on December 1, 2006 however the revenue from this tax levy is recognized as revenue in the subsequent year in the governmental funds financial statements.

D. Financial Statement Amounts

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets

Capital assets include land and improvements, buildings, furniture, equipment and vehicles and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 50 years.

Long-Term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference

between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Revenues

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the Township totaled \$64,367,009 on which ad valorem taxes levied consisted of 1.2791 mills for Township operating purposes. Voted millage consisted of .9839 mills for the Calumet Armory Community Center for operations maintenance and repairs for the facility. In addition, 1.2732 mills on taxable valuations of \$40,350,224 are for repair, maintenance and replacement of fire department vehicles and equipment.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities or discretely presented component units are reported in the government-wide financial statements as "internal balances."

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from those estimated.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the debt service fund and the Grants, Housing Grants special revenue funds and capital project funds which adopt project-length budgets. The legal level of budgetary control adopted by the governing body is the activity level. Appropriations lapse at year end.

Excess of Expenditures over Appropriations in Budgeted Funds – During the year the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Legislative	\$ 22,750	\$ 22,910
General government	135,250	136,806
Public works	96,000	97,704
Other	100,000	100,223
Transfers to other funds		14,376
Water Fund		
General government	600	8,015
Community Center Fund		
Capital outlay	7,250	8,741
Keweenaw Heritage Center Fund		
Capital outlay	26,000	28,047

(3) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash (checking and savings accounts)	\$ 185,610	\$ None	\$ 134,953	\$ 320,563	\$ 26,375

Custodial Credit Risk – Deposits – In the case of cash deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2006, \$70,327 of the Township's primary government bank balance of \$295,587 was exposed to custodial credit risk because it was uninsured and uncollateralized, while none of the component unit's bank balance of \$26,375 was exposed.

(4) CAPITAL ASSETS

Capital asset activity of the primary government for the current year is as follows:

	<u>Beginning Balance, as adjusted</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,244,295	\$ 9,782	\$	\$ 1,254,077
Capital Assets Being Depreciated				
Land improvements	119,405	134,919		254,324
Buildings	2,135,675	166,463	(51,152)	2,250,986
Office furniture & equipment	42,189	7,511		49,700
Equipment & Vehicles	<u>1,646,973</u>	<u>42,567</u>		<u>1,689,540</u>
Subtotal	<u>3,944,242</u>	<u>351,460</u>	<u>(51,152)</u>	<u>4,244,550</u>
Accumulated depreciation for:				
Land improvements	(48,395)	(7,994)		(56,389)
Buildings	(330,330)	(46,670)	1,433	(375,567)
Office furniture & equipment	(33,169)	(3,241)		(36,410)
Equipment & vehicles	<u>(524,181)</u>	<u>(95,293)</u>		<u>(619,474)</u>
Subtotal	<u>(936,075)</u>	<u>(153,198)</u>	<u>1,433</u>	<u>(1,087,840)</u>
Net Capital Assets Being Depreciated	<u>3,008,167</u>	<u>198,262</u>	<u>(49,719)</u>	<u>3,156,710</u>
Governmental Activities				
Capital Assets, net of depreciation	<u>\$ 4,252,462</u>	<u>\$ 208,044</u>	<u>\$ (49,719)</u>	<u>\$ 4,410,787</u>

Business- Type Activities

Capital Assets Not Being Depreciated				
Land	\$ 19,860	\$	\$ (19,860)	\$
Capital Assets Being Depreciated				
Sewage System	2,746,840		(2,746,840)	
Accumulated depreciation for Sewage System	(663,822)	(34,467)	698,289	
Net Capital Assets Being Depreciated	2,083,018	(34,467)	(2,048,551)	
Business-Type Activities				
Capital Assets, net of depreciation	\$ 2,102,878	\$ (34,467)	\$ (2,068,411)	\$ None

Depreciation expense is charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 19,024
Public Safety	52,428
Public Works	25,305
Recreation	25,622
Community/Historical	30,819
Total Governmental Activities	\$ 153,198
Business-Type Activities	
Sewage System	\$ 34,467

On August 17, 2006 the Township transferred its sewage system assets of \$2,066,425 (net of depreciation) along with related cash (net of interest expense) of \$13,102 and debt of \$122,000 as reported in the Wolverine-Kearsarge Sewage Fund to the NHCW&SA. This resulted in reporting a special item (capital contribution transfer) in the statement of activities in the net amount of \$1,957,527.

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances and transfers are as follows:

Interfund Balances

<u>Receivable</u>	<u>Payable</u>	
General Fund	Housing Grants Fund	\$ 2,694

Community Center Fund	Community Center Capital Project Fund	99
Total Primary Government		2,793
Component Unit	General Fund	100
Total		\$ 2,893

Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Fire Fund	\$ 1,682
	Water Fund	9,583
	Business-Type Activities	1,986
	Component Unit	7,600
		20,851
Grants Fund	General Fund	1,676
Community Center Fund	Community Center Capital Projects Fund	99
Community Center Capital Projects Fund	Community Center Fund	28,892
Community Center Gen'l Obligation Debt Serv. Fund	Community Center Fund	1,988
Business-Type Activities	General Fund	12,700
Total Primary Government		\$ 66,206

(6) LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds, contractual agreements, loans and installment purchase agreements are direct obligations and are backed by the full faith and credit of the Township. Revenue bonds typically involve a pledge of specific income derived from the acquired or constructed assets to pay for debt service.

Long-term debt activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Loans						
Rural Dev.-Fire Truck	4.625 %	10-1-2010	\$ 45,853	\$ (35,000)	\$ 10,853	\$ 10,000
Installment Purchase Agreement						
Bank- Groomer	5.35	12-1-2011	49,850	(8,583)	41,267	8,583
Finance Co- Pickup Truck	9.8	12-25-2010	19,284	(3,245)	16,039	3,550
Computer software	N/A	1-15-2008		3,890	3,890	1,945
Bonds						
2004 Refunding Revenue Bonds	3.46	11-1-2015	501,000	(46,500)	454,500	46,500
Gen'l Oblig. Capital Impr. Bonds	4.125	08-01-2035	22,964	62,700		
				(11,664)	74,000	1,000
Subtotal			638,951	(38,402)	600,549	71,578
Less Deferred Refunding, net of Amortization			(38,264)	4,091	(34,173)	
Total Governmental Activities			\$ 600,687	\$ (34,311)	\$ 566,376	\$ 71,578
Business-Type Activities						
Revenue Bonds						
1991 Sewage Bonds	5.875 %	11-1-2031	\$ 122,000	\$ (122,000)	\$	\$
Component Unit						
Bonds						
1996 DDA Bonds	5.4 %	10-1-2011	\$ 100,000	\$ (15,000)	\$ 85,000	\$ 15,000
1997 DDA Bonds	4.95	4-1-2012	39,000	(4,000)	35,000	5,000
2000 DDA Bonds	6.25	4-1-2010	32,000	(6,000)	26,000	6,000
Total Component Unit			\$ 171,000	\$ (25,000)	\$ 146,000	\$ 26,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 71,578	\$ 22,364	\$	\$	\$ 26,000	\$ 8,195
2008	66,296	19,699			26,000	6,708
2009	58,899	17,185			28,000	5,145
2010	59,841	14,785			33,000	3,505
2011	58,935	12,500			26,000	1,764
2012-2016	228,000	31,772			7,000	191
2017-2021	10,000	10,931				
2022-2026	15,000	8,456				
2027-2031	16,000	5,363				
2032-2036	16,000	1,650				
Totals	\$ 600,549	\$ 144,705	\$ None	\$ None	\$ 146,000	\$ 25,508

(7) EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township provides pension benefits to all eligible employees through a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Under the plan an eligible employee is an elected official. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit. The Township contributes 8 % of annual compensation with a minimum of \$300. Eligible employees can voluntarily contribute from 1% up to 92% of their compensation.

The Township's total payroll during the current year was \$176,342. The current year contribution was calculated based on covered payroll of \$90,556, resulting in an employer contribution of \$7,924. There were no voluntary employee contributions for 2006.

(8) RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance through the Michigan Township's Participating Plan for various claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

(9) SUBSEQUENT EVENTS

As of January 1, 2007 the Township will receive a \$336,000 Community Development Block Grant award on a \$776,000 storm sewer rehabilitation project. The project includes a local match of \$440,000 to be funded by issuing general obligation limited tax bonds through Rural Development.

(10) COMMITMENTS AND CONTINGENCIES

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amount, if any, to be immaterial.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Budgetary Comparison Schedule General Fund Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 70,289	\$ 70,289	\$ 70,289	\$
Resources (Inflows)				
Taxes	92,800	103,500	105,564	2,064
License & permits	1,200	1,075	1,075	
Federal aid			25,868	25,868
State aid	286,000	274,370	273,004	(1,366)
Charges for services	47,000	51,950	42,598	(9,352)
Interest and rents	21,100	23,000	25,357	2,357
Other revenue	4,000	67,194	53,810	(13,384)
Loan proceeds	6,000	5,850	3,890	(1,960)
Transfers from other funds	<u>20,400</u>	<u>40,486</u>	<u>20,851</u>	<u>(19,635)</u>
Amounts Available for Appropriation	<u>548,789</u>	<u>637,714</u>	<u>622,306</u>	<u>(15,408)</u>
Charges to Appropriation (Outflows)				
Legislative	22,000	22,750	22,910	(160)
General Government	136,000	135,250	136,806	(1,556)
Public Safety	75,000	75,000	67,313	7,687
Public Works	81,000	96,000	97,704	(1,704)
Recreation	25,000	50,000	37,736	12,264
Community/Historical	5,000	9,000	7,695	1,305
Other	107,000	100,000	100,223	(223)
Capital outlay	36,500	63,220	62,740	480
Debt service	17,000	16,205	16,204	1
Transfers to other funds	<u> </u>	<u> </u>	<u>14,376</u>	<u>(14,376)</u>
Total Charges to Appropriations	<u>504,500</u>	<u>567,425</u>	<u>563,707</u>	<u>3,718</u>
Budgetary Fund Balance – December 31, 2006	<u>\$ 44,289</u>	<u>\$ 70,289</u>	<u>\$ 58,599</u>	<u>\$ (11,690)</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Budgetary Comparison Schedule

Fire Fund

Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 3,995	\$ 3,995	\$ 3,995	\$
Resources (Inflows)				
Taxes	40,000	42,000	44,943	2,943
Interest and rents	<u>200</u>	<u>250</u>	<u>218</u>	<u>(32)</u>
Amounts Available for Appropriation	<u>44,195</u>	<u>46,245</u>	<u>49,156</u>	<u>2,911</u>
Charges to Appropriation (Outflows)				
Debt service	36,000	36,543	36,542	1
Transfers to other funds	<u> </u>	<u>1,682</u>	<u>1,682</u>	<u> </u>
Total Charges to Appropriations	<u>36,000</u>	<u>38,225</u>	<u>38,224</u>	<u>1</u>
Budgetary Fund Balance – December 31, 2006	<u>\$ 8,195</u>	<u>\$ 8,020</u>	<u>\$ 10,932</u>	<u>\$ 2,912</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Budgetary Comparison Schedule
Water Fund
Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 76,698	\$ 76,698	\$ 76,698	\$
Resources (Inflows)				
Charges for services	75,000	72,000	68,256	(3,744)
Interest and rents	750	1,500	1,069	(431)
Transfers from other funds	<u>10,000</u>			
Amounts Available for Appropriation	<u>162,448</u>	<u>150,198</u>	<u>146,023</u>	<u>(4,175)</u>
Charges to Appropriation (Outflows)				
General government	1,000	600	8,015	(7,415)
Public works	15,000	6,734	6,734	
Debt service	65,117	65,117	65,117	
Transfers to other funds	<u></u>	<u>9,584</u>	<u>9,583</u>	<u>1</u>
Total Charges to Appropriations	<u>81,117</u>	<u>82,035</u>	<u>89,449</u>	<u>(7,414)</u>
Budgetary Fund Balance – December 31, 2006	<u><u>\$ 81,331</u></u>	<u><u>\$ 68,163</u></u>	<u><u>\$ 56,574</u></u>	<u><u>\$ (11,589)</u></u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Budgetary Comparison Schedule
Community Center Fund
Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance (Deficit)	\$ 22,712	\$ 22,712	\$ 22,712	\$
Resources (Inflows)				
Taxes	63,000	66,500	65,168	(1,332)
Interest and rents	28,800	28,000	24,929	(3,071)
Other revenue		18,000	15,675	(2,325)
Transfers from other funds	<u> </u>	<u> </u>	<u>99</u>	<u>99</u>
Amounts Available for Appropriation	<u>114,512</u>	<u>135,212</u>	<u>128,583</u>	<u>(6,629)</u>
Charges to Appropriation (Outflows)				
General Government	500	4,000	3,968	32
Community	70,942	54,550	47,676	6,874
Capital outlay		7,250	8,741	(1,491)
Transfers to other funds	<u>4,500</u>	<u>30,881</u>	<u>30,880</u>	<u>1</u>
Total Charges to Appropriations	<u>75,942</u>	<u>96,681</u>	<u>91,265</u>	<u>5,416</u>
Budgetary Fund Balance – December 31, 2006	<u>\$ 38,570</u>	<u>\$ 38,531</u>	<u>\$ 37,318</u>	<u>\$ (1,213)</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2006**

	<u>Special Revenue Funds</u>			<u>Comm. Center Gen'l Oblig. Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Keweenaw Heritage Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>		
ASSETS					
Cash	\$ 16,293	\$	\$ 1,907	\$ 25	\$ 18,225
Receivables (net):					
Accounts/Interest	500				500
Due from federal gov't	<u> </u>	<u> </u>	<u>15,374</u>	<u> </u>	<u>15,374</u>
Total assets	<u>\$ 16,793</u>	<u>\$ None</u>	<u>\$ 17,281</u>	<u>\$ 25</u>	<u>\$ 34,099</u>
LIABILITIES					
Accounts payable	\$ 309	\$	\$ 14,587	\$	\$ 14,896
Due to other funds	<u> </u>	<u> </u>	<u>2,694</u>	<u> </u>	<u>2,694</u>
Total liabilities	<u>309</u>	<u> </u>	<u>17,281</u>	<u> </u>	<u>17,590</u>
FUND BALANCES					
Reserved for debt service				25	25
Unreserved	<u>16,484</u>	<u> </u>	<u> </u>	<u> </u>	<u>16,484</u>
Total fund balances	<u>16,484</u>	<u> </u>	<u> </u>	<u>25</u>	<u>16,509</u>
Total liabilities and fund balances	<u>\$ 16,793</u>	<u>\$ None</u>	<u>\$ 17,281</u>	<u>\$ 25</u>	<u>\$ 34,099</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds			Comm. Center Gen'l Oblig. Debt Service Fund	Total Non-Major Governmental Funds
	Keweenaw Heritage Center Fund	Grants Fund	Housing Grants Fund		
Revenues					
Federal aid	\$	\$	\$ 90,692	\$	\$ 90,692
Interest and rents	3,059		233		3,292
Other-Donations	<u>15,137</u>	<u></u>	<u>6,174</u>	<u></u>	<u>21,311</u>
Total revenues	<u>18,196</u>	<u></u>	<u>97,099</u>	<u></u>	<u>115,295</u>
Expenditures					
General government	1,814		9,509		11,323
Community/Historical	6,379		61,571		67,950
Capital outlay	28,047	1,676	26,019		55,742
Debt service	<u></u>	<u></u>	<u></u>	<u>1,988</u>	<u>1,988</u>
Total expenditures	<u>36,240</u>	<u>1,676</u>	<u>97,099</u>	<u>1,988</u>	<u>137,003</u>
Excess of revenues over (under) expenditures	(18,044)	(1,676)		(1,988)	(21,708)
Other financing sources (uses)					
Operating transfers in	<u></u>	<u>1,676</u>	<u></u>	<u>1,988</u>	<u>3,664</u>
Net Change in Fund Balances	(18,044)				(18,044)
Fund Balances – Beginning of Year	<u>34,528</u>	<u></u>	<u></u>	<u>25</u>	<u>34,553</u>
Fund Balances - End of Year	<u>\$ 16,484</u>	<u>\$</u>	<u>\$</u>	<u>\$ 25</u>	<u>\$ 16,509</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members
Charter Township of Calumet, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued my report thereon dated June 29, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Calumet, Michigan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter Township of Calumet, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

I consider the deficiencies described in the accompanying schedule of findings and responses as items 2006-1 and 2006-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Calumet, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Charter Township of Calumet, Michigan, in a separate letter dated June 29, 2007.

The Charter Township of Calumet, Michigan's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Township's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board membership, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Paul R. Sturos, CPA
Calumet, Michigan
June 29, 2007

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2006

Finding 2005-1 Internal Control Design

Condition: This finding was a reportable condition stating an absence of appropriate segregation of duties due to a limited number of available personnel.

Recommendation: The auditor recommended that, due to the unlikely event that the Township would hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Current Status: Additional personnel have not been hired. However, the Township Board has provided oversight and independent review functions.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

SCHEDULE OF FINDINGS AND RESPONSES

Year ended December 31, 2006

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2006-1 Internal Control Design

Criteria: Management is responsible for protecting the Township's assets. As such, a proper segregation of duties is needed to ensure protection and accurate financial reporting.

Condition: The Township has a limited number of personnel available to provide a proper segregation of duties.

Effect: A lack of a proper segregation of duties increases the risk of intentional or unintentional errors or fraud that could occur and not be detected on a timely basis.

Cause: The size of the Township's staff limits the ability to provide optimum segregation of duties.

Recommendation: Although it is not likely that the Township will hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved by providing oversight and independent review functions.

Response: We concur with the recommendation.

2006-2 Financial Statements

Criteria: A proper understanding of the Township's financial statements including the ability to perform the conversion from fund accounting statements to GASB34 presentations is important to ensure accurate financial reporting.

Condition: Township personnel are currently unable to completely understand and prepare GASB34 conversion entries.

Effect: Without a complete understanding of the GASB34 conversion adjusting process, it is possible that a significant error or omission in the GASB34 conversion entries could occur and not be detected on a timely basis.

Cause: Multiple duties and limited training of Township personnel has resulted in a lack of understanding of the GASB34 conversion process.

Recommendation: Proper training for personnel in a small government environment is often difficult to achieve however, the Township Board needs to be aware of this issue and attempt to provide the necessary training.

Response: We concur with the recommendation.

PAUL R. STUROS
Certified Public Accountant
56901 S. Sixth Street, Suite 8
Calumet, MI 49913

Tel. (906) 337-4727 ~ Fax (906) 337-4725
E-mail: psturos@sbcglobal.net

June 29, 2007

Board Members
Charter Township of Calumet, Michigan 49913

In planning and performing my audit of the financial statements of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, I considered its internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control. Please refer to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for references to significant deficiencies.

I noted certain other matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented as follows, to assist in improving accounting procedures and controls:

1. Adoption by the Board of a written conflict of interest policy.
2. Record the deed for the ball-field land retained by the Township in the transfer of the Wolverine/Kearsarge sewage system to North Houghton County Water & Sewage Authority.
3. Account for and record the WUPPDR administered grant activity in the Township's accounting system.
4. Revise the chart of accounts for the Property Tax Collection Fund to better reflect the fund's activity.
5. Actual activity level expenditures exceeded amounts authorized in the final amended budgets in the Township's General, Water, Community Center and Keweenaw Heritage Center Funds and are noted as follows:

<u>Fund/Activity</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
General Fund			
Legislative	\$ 22,750	\$ 22,910	\$ (160)
General government	135,250	136,806	(1,556)
Public works	96,000	97,704	(1,704)
Other	100,000	100,223	(223)
Transfers to other funds		14,376	(14,376)
Water Fund			
General government	600	8,015	(7,415)
Community Center Fund			
Capital outlay	7,250	8,741	(1,491)
Keweenaw Heritage Center Fund			
Capital outlay	26,000	28,047	(2,047)

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. It is recommended that the Township Board fully comply with all provisions of the Act.

This report is intended solely for the information and use of the Board membership, management, and applicable federal and state agencies and if applicable, pass-through entities and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

I appreciate the opportunity to be of service to the Township and would like to thank the Township's personnel for their courtesies and assistance during the audit. If there are any questions about the financial report or the above comments, I will be happy to discuss them with you at your convenience.

Sincerely,



Paul R. Sturos, CPA